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SUBJECT: KAZAKHSTAN'S NATIONAL SHIPPING COMPANY OPTIMISTIC
ABOUT THE KAZAKHSTAN CASPIAN TRANSPORTATION SYSTEM

REF: A. ASTANA 2266
[1](#)B. ASTANA 2276

[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: On November 6, DCM and poloff met with Kazakhstan's National Shipping company, Kazmortransflot (KMTF), to discuss its business structure and operations. KMTF identified the Kazakhstan Caspian Transportation System (KCTS) as its top priority and is leading the development of Kuryk port, but faces problems acquiring enough ships and qualified personnel. KMTF is actively participating in international maritime cooperation activities. END SUMMARY.

FULL STEAM AHEAD ON THE KCTS

[1](#)3. (SBU) On November 6, DCM and poloff met with Managing Director Serik Ishmanov, Managing Director of Economics and Finance Aslan Mynbayev, and Deputy General Director Sherkhan Sugurbekov to discuss KMTF's business outlook. KMTF officials emphasized that KCTS is their company's major near-term project. According to Mynbayev, KMTF started transporting Tengiz oil to Baku in October in close cooperation with Tengizchevroil (reftels). KMTF anticipates that large amounts of oil will be transported over the Caspian from Kuryk and the Eskene-Kuryk pipeline. The most challenging aspect of KCTS, according to Mynbayev, will be resolving the legal and regulatory basis for the project, since each party to the agreement will be liable for its own operators. The specific liabilities of shippers also need to be clearly stipulated, he said.

KMTF PLAYING AN ACTIVE ROLE IN KURYK PORT

[1](#)4. (SBU) KMTF officials acknowledged their company's active role in KCTS, as well as in constructing and operating the Kuryk port, located 47 miles from Aktau. The Kazakhstan national rail company, Temir Zholy, and the Ministry of Transport are constructing a rail link between Aktau and Kuryk, while road and water pipelines are also under construction. The port has a cargo terminal, primarily to serve the needs of Caspian offshore oil fields.

Transshipments through Aktau port for 2008 (year to date through September) amounted to 7.7 million tons of cargo, including 6.1 million tons of oil and petrochemicals. By 2010 transshipments through Aktau seaport are expected to increase to 23 million tons. KMTF also expects to ship 7.5 million tons of oil from Kuryk in its first year of operation, with exports of oil from Kuryk expected to increase to 20 million tons between 2010 and 2015.

EQUIPMENT AND PERSONNEL ARE MOST SEVERE CONSTRAINTS

15. (SBU) KMTF, however, faces challenges recruiting enough qualified personnel and acquiring enough ships to meet demand. KMTF said it owns smaller tankers with a capacity of 12,000 deadweight tons, but decided it will be more efficient to use larger tankers with a capacity of 55,000-60,000 deadweight tons. KMTF's top priority will be the quality and safety of these ships, but because KMTF is a national company, the ships must be built in Kazakhstan. KMTF expects Russian companies to build the ships at Kuryk, if government financing for a planned factory materializes. KMTF will soon begin negotiations on how other KCTS-related facilities will be built and maintained. KMTF officials emphasized that the Samruk-Kazyna merger has not affected their business in any way.

16. (SBU) To address the problem of hiring qualified personnel, KMTF started sending young cadets to the Russian Federation for maritime-related training last year. There is also one Kazakhstani student at the U.S. Naval Academy in Annapolis. Mynbayev has an MBA degree from Boston College. All three KMTF officials at the November 6 meeting pursued

ASTANA 00002317 002 OF 002

higher education abroad and appeared to be in their early thirties. They noted that since Kazakhstan is not a sea empire,⁸ the majority of qualified employees are relatively young.

KMTF PURSUING INTERNATIONAL COOPERATION ACTIVITIES

17. (SBU) KMTF is actively involved in various international negotiations on maritime issues with multinational companies, and is also participating in a series of U.K. maritime safety conferences. At the October conference in Astana, Sugurbekov said that Kazakhstan and KMTF are committed to meeting all International Maritime Organization standards. KMTF is particularly interested in cooperation with border services. Reducing the time for documentation validation and processing through ports could save millions of dollars, according to Sugurbekov. KMTF is also concerned about the potential for oil spills, and wants to work on prevention and emergency response operations. KMTF officials indicated interest in participating in study-group activities in the United States and were eager to exchange ideas and opinions with international and domestic shipping companies, port officials, and maritime border guards.

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